

S
336.185
L72sag
2001

Legislative Audit Division

State of Montana



Report to the Legislature

June 2001

Limited Scope Performance Audit

STATE DOCUMENTS COLLECTION

DEC 11 2001

MONTANA STATE LIBRARY
1515 E. GOV. AVE.
HELENA, MONTANA 59611

State-Administered Grant and Loan Programs

Various State Agencies

This limited scope performance audit contains a recommendation to create a central contact for state-administered grant and loan programs. We recommend the function:

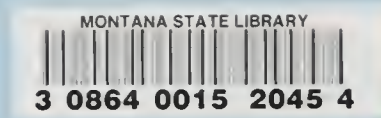
- ▶ Compile a list of state grant and loan programs.
- ▶ Communicate the programs via a web site and other methods.
- ▶ Direct parties to training about grant and loan programs.
- ▶ Review application forms for coordination and streamlining.
- ▶ Provide a central telephone access point.

Direct comments/inquiries to:
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena MT 59620-1705

01P-02

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

MONTANA STATE LIBRARY



PERFORMANCE AUDITS

Performance audits conducted by the Legislative Audit Division are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. The audit work is conducted in accordance with audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, accounting, logistics, computer science, and engineering.

Performance audits are performed at the request of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator John Cobb
Senator Jim Elliott
Senator Dan Harrington
Senator Ken Miller
Senator Corey Stapleton
Senator Jon Tester

Representative Joe Balyeat
Representative Dee Brown
Representative Bill Eggers
Representative Hal Jacobson
Representative Jeff Pattison
Representative David E. Wanzentried

LEGISLATIVE AUDIT DIVISION



Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager

Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

June 2001

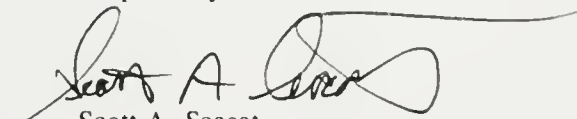
The Legislative Audit Committee
of the Montana State Legislature:

This is our limited scope performance audit of State-Administered Grant and Loan Programs.
The programs are administered by various state agencies.

This report provides information to the legislature regarding the programs and eligible recipients. We conclude on the organizational efficiencies of current programs. Recommendations address the need for a coordinator role and whether statutes should be modified or deleted. Written responses from the various departments are included at the end of the report.

We appreciate the cooperation and assistance of department staff during this audit.

Respectfully submitted,


Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Limited Scope Performance Audit

State-Administered Grant and Loan Programs

Various State Agencies

Members of the audit staff involved in this audit were Tom Cooper, Susan Jensen, Joe Murray, Kent Rice, Kris Wilkinson, and Mary Zednick.

Table of Contents

	List of Tables	Page iv
	Elected, Appointed and Administrative Officials	Page v
	Report Summary	Page S-1
Chapter I - Introduction	Introduction	Page 1
	Audit Objectives	Page 1
	Audit Scope and Methodology	Page 2
	Legislative Action Taken During the Audit	Page 3
	Report Organization	Page 4
Chapter II - Coordinate Grant and Loan Information	Introduction	Page 5
	Grants/Loans to Individuals, Businesses, Associations/ Organizations/Programs	Page 5
	Programs Providing Funding to Individuals and/or Businesses	Page 5
	Programs Providing Funding to Organizations/ Associations/Programs	Page 6
	Conclusion: Not Organizationally Efficient to Move Programs	Page 7
	Grants/Loans to Government Units, Specialized Organizations	Page 7
	Grants/Loans to Government Units	Page 8
	Programs Providing Funding to Miscellaneous Recipients	Page 10
	Conclusion: No Increased Benefit to Move Programs . . .	Page 10
	Summary: Consolidation is Not Organizationally Efficient . .	Page 11
	Coordinating Grant and Loan Program Information	Page 11
	Better Coordination and Communication is Needed	Page 12
	Maintain a Comprehensive List	Page 13
	Market State Grant and Loan Programs	Page 14
	Develop a Central Web Site	Page 15
	Develop Brochures or Newsletters	Page 15
	Provide Telephone Access	Page 16
	Advertise the Toll-Free Number	Page 16
	Direct Parties to Training About the Grant and Loan Programs	Page 16
	Review Forms for Consolidation	Page 17

Table of Contents

	Conclusion: Coordination Function Needed	Page 18
	Legislative Action: Centralized Financial Assistance Center Created	Page 19
Chapter III - Programs No Longer Active or Never Funded	Introduction	Page 21
	Montana Department of Transportation	Page 21
	Railroad and Intermodal Transportation Facility Loans and Grants (Section 60-11-120, MCA)	Page 21
	Railroad Rehabilitation Projects (Title 60, chapter 11, part 11, MCA)	Page 21
	Rolling Stock Loans (Title 60, chapter 11, part 12, MCA)	Page 22
	Conclusion: Delete Statutes	Page 22
	<i>Legislative Action: Statutes Deleted</i>	Page 22
	Departments of Fish, Wildlife & Parks and Public Health and Human Services	Page 22
	Board of Regents	Page 23
	<i>Legislative Action: Statute Modified</i>	Page 23
	Department of Commerce	Page 24
	Job Investment Loan Program (Title 17, chapter 6, part 5, MCA)	Page 24
	<i>Legislative Action: Statute Deleted</i>	Page 24
	Hard Rock Mining Impact (Title 90, chapter 6, part 3, MCA)	Page 24
	<i>Legislative Action: Statute Modified</i>	Page 25
	Department of Agriculture	Page 25
	Department of Environmental Quality	Page 26
	Solid Waste Management Loans and Grants (Title 75, chapter 10, part 1, MCA)	Page 26
	State-Owned Building Retrofitting (Section 90-2-141, MCA)	Page 26
	Energy Conservation in Agriculture (Section 90-2-140, MCA)	Page 27
	Alternative Energy and Energy Conservation Research Development Loan Program (Title 90, chapter 4, part 1, MCA)	Page 27
Agencies Responses	Department of Commerce	Page 31
	Montana Department of Transportation	Page 35

Table of Contents

Appendix

Department of Fish, Wildlife & Parks Page 37

Department of Public Health and Human Services Page 38

Department of Agriculture Page 39

Department of Environmental Quality Page 40

Department of Agriculture Page A-1

Department of Commerce Page A-4

Department of Fish, Wildlife & Parks Page A-12

Department of Justice Page A-13

Department of Labor and Industry Page A-14

Department of Natural Resources and Conservation Page A-15

Department of Public Health and Human Services Page A-17

List of Tables

Tables

Table 1	Grants and Loans to Individuals and/or Businesses	Page 6
Table 2	Grants and Loans to Organizations/Associations/ Programs	Page 7
Table 3	Grants and Loans to Governmental Units	Page 9
Table 4	Grants and Loans to Miscellaneous Recipients	Page 10

Elected, Appointed and Administrative Officials

Office of the Governor	Judy Martz, Governor
Board of Crime Control	Ellis "Gene" E. Kiser, Executive Director
Board of Regents	Margie Thompson, Chairman
Department of Administration	Barbara Ranf, Director
Department of Agriculture	Ralph Peck, Director
Department of Commerce	Mark Simonich, Director
Department of Environmental Quality	Jan Sensibaugh, Director
Department of Fish, Wildlife & Parks	Jeff Hagener, Director
Department of Justice	Mike McGrath, Attorney General
Department of Labor and Industry	Mike Foster, Commissioner
Department of Natural Resources and Conservation	Bud Clinch, Director
Department of Public Health and Human Services	Gail Gray, Director
Montana Arts Council	Arlynn Fishbaugh, Executive Director
Montana Department of Transportation	David Galt, Director
Montana State Library	Karen Strege, State Librarian
Office of Public Instruction	Linda McCulloch, Superintendent of Public Instruction
Supreme Court	Karla Gray, Chief Justice

Introduction

The Legislative Audit Committee requested a limited scope performance audit of the administrative efficiency of state loan programs. The Legislative Audit Division also received a legislative request for information on various state grant and loan programs. As a result, the scope of the original audit expanded to include the administrative efficiency of state grants as well as loan programs.

The objective of the performance audit was to determine whether it would be more efficient to administer all or most state grant and loan programs through one location or to maintain the programs in the applicable state agencies. We did not review the specific details of each grant/loan program in terms of eligibility requirements, processing applications, awarding grants or loans, etc.

Coordinate Grant and Loan Information

We identified 45 grant and loan programs in state statute. The majority of the programs are administered by state agencies. Program recipients range from individuals wanting business loans to conservation districts and private nonprofit museums.

Consolidation is Not Organizationally Efficient

We determined that due to the diversity of projects funded by the various programs it would not be feasible to organizationally combine most of the programs for a number of reasons:

- ▶ People administering the programs are specialists in their areas and provide expertise for other areas in their department. One person would not have the specific knowledge needed to administer a range of specialized programs.
- ▶ Programs are currently in agencies relating to the program, i.e., agriculture loans are in the Department of Agriculture. By having the person administering the program in an agency related to the program, the administrator has other staff available for questions or problems that arise.
- ▶ Identified FTE levels did not always include centralized services or some specialized personnel, such as engineers that review plans. Accounting, administrative, and other specialized personnel would also have to be available to the grant/loan administrators if they were all in one agency.

Report Summary

Better Coordination and Communication is Needed

While we determined the current organization facilitates organizational efficiency for program administration, the organization does not necessarily facilitate good communication about the state's grant/loan programs. What appears to be missing at the state level is easy access to program information. Various methods to improve access to grant/loan program information include:

- ▶ Maintaining a comprehensive list of all state grant/loan programs.
- ▶ Marketing state grant/loan programs.
- ▶ Developing a central web site.
- ▶ Developing brochures or newsletters.
- ▶ Providing telephone access.
- ▶ Advertising a toll-free number.
- ▶ Directing parties to training about the grant/loan programs.
- ▶ Reviewing forms for consolidation.

We recommended the Department of Commerce coordinate state-administered grant and loan programs.

Legislative Action: Centralized Financial Assistance Center Created

During the audit we issued a legislative request document addressing many issues presented in the report. Using information from that document, the 2001 Legislature enacted House Bill 650 (Chapter 307, Laws of 2001) providing for a centralized financial assistance center within the Department of Commerce. The bill requires the center and department to implement many of the items identified in the report.

Programs No Longer Active or Never Funded

Our review identified a number of grant/loan programs that are no longer active or never received funding to award grants or loans. We made recommendations to five agencies to seek legislation to modify or delete specific statutes:

- ▶ Montana Department of Transportation: delete section 60-11-120, MCA, related to railroad and intermodal transportation facility loans and grants since no grants or loans have been made.

- ▶ Departments of Fish, Wildlife & Parks and Public Health and Human Services: delete reference in section 87-1-513(2), MCA, regarding the proceeds from the sale of donated or seized game animal meat being credited to DPHHS to be used for grants to food banks since the proceeds have not generated enough revenue to award grants.
- ▶ Department of Agriculture: delete reference in section 80-7-1102(4), MCA, authorizing the department to make grants to conduct vertebrate management projects because the legislature eliminated the rodenticide surcharge which was to be the funding source for the grants.
- ▶ Department of Environmental Quality:
 - delete statutes relating to the provision of grants and loans for solid waste management (Title 75, chapter 10, part 1, MCA) since the department has not made any loans;
 - delete section 90-1-141, MCA, related to state-owned building retrofitting because the program was replaced by the State Building Energy Conservation Program;
 - delete section 90-2-140, MCA, related to energy conservation in agriculture since the funding source no longer exists; and
 - delete Title 90, chapter 4, part 1, MCA, related to the alternative energy and energy conservation research development loan program because the legislature transferred the funding source for loans to another program.

Chapter I - Introduction

Introduction

The Legislative Audit Committee requested a limited scope performance audit of the efficiency of the administration of state loan programs. The Legislative Audit Division also received a legislative request for information on various state grant and loan programs. As a result, the scope of the original audit expanded to include the administrative efficiency of state grants as well as loan programs.

The objective of the performance audit was to determine whether it would be more efficient to administer all or most state grant and loan programs through one location or to maintain the programs in the applicable state agencies. We did not review the specific details of each grant/loan program in terms of eligibility requirements, processing applications, awarding grants or loans, etc.

Audit Objectives

The audit objectives of this limited scope performance audit were to determine:

1. What grant and loan programs are available, the administering agency, and applicable recipients.
2. For grant and loan programs providing funding to individuals, businesses, and associations/organizations/programs:
 - a. Location of current programs.
 - b. Funding source(s).
 - c. Activity from inception through fiscal year 1999-00.
 - d. FTE involved with each grant/loan program.
 - e. Types of forms used.
3. Feasibility of administering a specific grant and loan program with other grant and loan programs to allow for better public access and efficiency.
4. If information about state grant and loan programs is readily accessible to the public.
5. If statutes establishing each grant or loan program were still applicable, or could be modified or deleted.

Chapter I - Introduction

Audit Scope and Methodology

We created a list of grants and loans by searching state statutes using the word “grant(s)” and “loan(s).” We were also aware of other programs, such as the Future Fisheries Improvement Program and Mint and Oil Production Program that provide funding to entities but do not have the word “grant” or “loan” in authorizing statutes.

From this list we separated the grant/loan programs into two major groups based upon recipient. The first recipient group was government and specialized organizations. Government or specialized organization recipients interact with the administering entities during the course of regular business on a number of issues. These recipients tend to be familiar with the programs. These government or specialized organizations include Human Resource Development Councils, community-based educational organizations, conservation districts, school districts, etc. Since the emphasis of our objectives was on programs for individuals and/or businesses, we limited our review of those programs working with government or specialized organizations. We reviewed state statutes and gathered information on who issues the grant or loan, and eligible recipients.

The second recipient group was individuals, businesses or associations/organizations/programs. This group does not deal with administering entities on a regular basis. They may not be as familiar with available programs. Because this group is central to our objectives, we gathered additional information for programs providing grants and loans to these recipients. Information gathered included:

- ▶ When the program was created.
- ▶ Funding source.
- ▶ Who can apply for the grant/loan.
- ▶ What the grant/loan can be used for.
- ▶ Administrating agency.

- ▶ Number and dollar amounts of grants/loans awarded since program inception.
- ▶ Any advisory council, board or committee associated with the program.
- ▶ Application and reporting forms.
- ▶ FTE involved in administering the grant/loan.

Information was obtained from department personnel, state statute and administrative rule, agency Internet sites, and Legislative Fiscal Division budget analyses and appropriation reports. Information on program activity covered the period of time from inception of each program through fiscal year 1999-00.

To determine if information about grants/loans to individuals and businesses is readily available we interviewed department personnel, financial institutions, and county extension agents. We also performed tests on the accessibility of information through phone calls and reviews of web site organization and information.

Legislative Action Taken During the Audit

During the audit we issued a legislative request document addressing many issues presented in this report. The legislative request document was preliminary and did not provide detailed information about specific grant and loan programs.

Using information from our legislative request document, the 2001 Legislature enacted House Bill 650 (Chapter 307, Laws of 2001) providing for a centralized financial assistance center within the Department of Commerce. The purpose of the center includes providing a convenient, accessible, and comprehensive clearinghouse for information about available financial assistance offered by the state, including but not limited to loans, grants, and tax credits. Center requirements include compiling a comprehensive list of all state financial assistance programs, eligible recipients, conditions required for an award of a loan or grant, limits on the amount of funds available, application information, and lending or granting cycles. The legislation requires the department to develop an Internet web site designed to assist loan and grant applicants in gathering information. The department is also required to develop a

Chapter I - Introduction

marketing plan to provide information about the center to individuals, commercial financial institutions, local economic development organizations, business enterprises, and local government.

The last sections of the legislation modify or delete statutes relating to grant and loan programs that have never been funded or are no longer funded.

This audit report reflects our findings related to coordination and communication of state grant and loan programs, the need for statute modification or deletion, and the related legislative action taken during the course of the audit.

Report Organization

Chapter II of this report provides information on grant/loan programs identified during our review and accessibility of information about grant and loan programs. We recommend the Department of Commerce take steps to improve the coordination and communication of information concerning state grant and loan programs. Chapter III discusses programs no longer funded or that have never been funded. We make recommendations to modify or delete specific statutes. Appendix A provides specific information about grants and loans made to individuals, businesses or associations/organizations/programs.

Chapter II - Coordinate Grant and Loan Information

Introduction

We identified 45 grant and loan programs in state statute. The majority of the programs are administered by state agencies. Program recipients range from individuals wanting business loans to conservation districts and private nonprofit museums.

This chapter provides information about the programs and eligible recipients. The chapter also includes conclusions on the organizational efficiency of current programs. Programs awarding funds to individuals, businesses, or associations/organizations/programs are discussed first. (Detailed information about these programs is contained in Appendix A.) Grant/loan programs providing funds to government units, specialized organizations, etc. are discussed second. The last section discusses the need for grant/loan program coordination and contains our recommendation for a coordinator role.

Grants/Loans to Individuals, Businesses, Associations/ Organizations/Programs

Sixteen programs provide grants/loans to individuals, businesses, or associations/organizations/programs. The following sections provide information on the authorizing statute, program name, governing agency, and recipients.

Programs Providing Funding to Individuals and/or Businesses

Seven state agencies provide funding to individuals and/or businesses. The programs fund activities such as agricultural projects, microbusinesses, health facilities, and research. Table 1 lists authorizing statutes, program name, governing agency, and recipients. Appendix A provides additional information about each program including FTE involved in program administration, funding sources, activity, and program purpose.

Chapter II - Coordinate Grant and Loan Information

Table 1
Grants and Loans to Individuals and/or Businesses

Statute	Program Name	Governing Agency	Recipients
Title 80, chapter 2, part 1	Agricultural Finance Program (Rural Rehabilitation)	Agriculture	Individuals
Section 80-12-101	Montana Agricultural Loan Authority	Agriculture	Individuals
Title 76, chapter 14, part 1	Rangeland Improvement Loan Program	Natural Resources and Conservation	Individuals
Title 17, chapter 6, part 4	Microbusiness Finance Program	Commerce	Individuals
Section 90-9-101	Montana Growth Through Agriculture	Agriculture	Individuals & businesses
Title 17, chapter 6, part 3	Montana In-State Investment	Board of Investments	Businesses
Title 90, chapter 1, part 1	Certified Communities Program	Commerce	Businesses
Title 90, chapter 7, parts 1, 2, 3	Health Facility Authority	Commerce	Businesses
Title 90, chapter 3, part 10	Research and Commercialization Program	Commerce	Businesses
Title 15, chapter 53, part 2	Telecommunications Infrastructure Tax Credit Program	Commerce	Businesses
Section 23-5-638	Loans to gambling machine owners	Justice	Businesses

Source: Compiled by the Legislative Audit Division from Montana Code Annotated.

Programs Providing Funding to Organizations/Associations/Programs

Five state agencies administer grant/loan programs providing funds to organizations/associations/programs such as shooting clubs, day care providers, and domestic violence programs. Table 2 shows the statute, program name, administering agency, and recipient. Detailed descriptions of these programs are also provided in Appendix A.

Chapter II - Coordinate Grant and Loan Information

Table 2
Grants and Loans to Organizations/Associations/Programs

Statute	Program Name	Governing Agency	Recipients
Title 85, chapter 1, part 6	Private Water Development Grant & Loan Program	Natural Resources and Conservation	Organizations/Associations
Section 87-1-276, et al.	Shooting Range Development Grant Program	Fish, Wildlife and Parks	Organizations/Associations
Section 52-2-711	Resource & Referral & Day Care Improvement Program	Public Health and Human Services	Organizations/Associations
Title 39, chapter 7, part 3	Displaced Homemaker	Labor and Industry	Local displaced homemaker programs
Title 52, chapter 6, part 1	Battered Spouses Grant Program	Public Health and Human Services	Local domestic violence programs

Source: Compiled by the Legislative Audit Division from Montana Code Annotated.

Conclusion: Not Organizationally Efficient to Move Programs

In reviewing programs that award grants and loans to individuals, businesses, and association/organizations/programs, we found the programs are specialized and rely on the expertise of agency staff for administration. The programs appear to be operating within the appropriate agency. The grant/loan programs relate to the mission of the department administering them. For example, the Department of Agriculture has three grant/loan programs that fund agricultural activities. The Department of Commerce has five programs related to business. Further consolidation by moving these programs to one agency would not be organizationally efficient and could lead to less effective administration.

Grants/Loans to Government Units, Specialized Organizations

A number of programs identified in statute provide grants/loans to specific government units or specialized organizations. Because these grants/loans can only be awarded to specific types of entities, and in some cases do not require application forms, we did not conduct an in-depth review to determine staffing, funding sources, or program activity. The following sections provide information on these programs.

Chapter II - Coordinate Grant and Loan Information

Grants/Loans to Government Units

County commissioners and nine state agencies administer programs awarding grants/loans to counties, districts, political subdivisions, and state, local and tribal governments. The programs range from grants to counties for alcohol abuse programs to reclamation and development grants to state, local and tribal governments. Table 3 contains authorizing statute, name of the program, governing agency, and recipients.

Chapter II - Coordinate Grant and Loan Information

Table 3
Grants and Loans to Governmental Units

Statute	Title/Name of Program	Governing Agency	Recipients
Section 7-6-2352	Grants to District Courts	Supreme Court	Counties
Title 53, chapter 24, parts 1, 2	Alcohol Abuse Programs	Public Health and Human Services	Counties
Section 7-12-2183, et al.	Loans to make emergency repairs	County Commissioners	County Maintenance Districts
Section 53-4-211	Temporary Assistance for Needy Families Block Grant	Public Health and Human Services	County public welfare departments
Title 76, chapter 15, part 5	Conservation District Grants	Natural Resources and Conservation	Conservation Districts
Section 76-15-541, et al.	Conservation Practice Loan Program	Natural Resources and Conservation	Conservation Districts
Section 20-9-321	Instructional block grant, special education services block grant	Office of Public Instruction	School Districts
Section 20-9-343	MT Mathematics and Science Grant	Office of Public Instruction	School Districts
Section 20-9-534	Grants for School Technology Purchases	Office of Public Instruction	School Districts
Section 20-9-466, et al.	State Loan for School District Bonds	Administration	School Districts
Section 10-3-314	Community Disaster Loan	Governor's Office	Political subdivisions
Section 7-14-120	Transloading Facilities	Transportation	Local governments
Title 90, chapter 6, part 7	Treasure State Endowment	Commerce	Local governments
Title 75, chapter 5, part 11	Water Pollution Control State Revolving Loan Program	Environmental Quality & Natural Resources and Conservation	Local governments
Title 67, chapter 1, part 3	Aeronautical Loans	Transportation	State & local government
Title 85, chapter 1, part 6	Renewable Resource Grant & Loan	Natural Resources and Conservation	State, local & tribal government
Title 85, chapter 1, part 6	Emergency Grant & Loan	Natural Resources and Conservation	State, local & tribal government
Title 90, chapter 2, part 11	Reclamation & Development Grants	Natural Resources and Conservation	State, local & tribal government
Title 90, chapter 6, part 2	Coal Impacts Evaluations & Abatement Funding	Commerce	State, local, and tribal governments

Source: Compiled by the Legislative Audit Division from Montana Code Annotated.

Chapter II - Coordinate Grant and Loan Information

Programs Providing Funding to Miscellaneous Recipients

A number of entities provide grants and loans to a variety of recipients ranging from private, nonprofit museums to detention regions. Table 4 provides information about these programs.

Table 4
Grants and Loans to Miscellaneous Recipients

Statute	Program Name	Governing Agency	Recipients
Section 7-16-2202	County museums and facilities for the arts	Counties	Private, nonprofit museums & private, nonprofit facilities for the arts
Title 75, chapter 6, part 2	Drinking Water Revolving Fund	Environmental Quality & Natural Resources and Conservation	Municipalities, public/private community water systems, nonprofit noncommunity water systems
Section 75-1-1101	Environmental Contingency Grant	Governor's Office	Entities suffering from an environmental emergency
Title 44, chapter 2, part 7	Drug Abuse Resistance Education	Board of Crime Control	Nonprofit, private, community-based organizations, local gov., schools
Title 80, chapter 7, part 8	Montana Noxious Weed Trust Fund	Agriculture	Noxious weed projects, MSU Cooperative Extension Service, MSU Agricultural Extension Service
Title 41, chapter 5, part 19	Juvenile Detention Centers	Board of Crime Control	Detention regions
Title 53, chapter 10, part 5	Community Services Block Grant	Public Health and Human Services	Human Resource Development Councils
Title 22, chapter 1, part 3	State aid, base grants	State Library	Library Federations & public libraries
Title 22, chapter 2, part 3	Cultural & Aesthetic Projects	Arts Council	State capital, cultural or aesthetic projects

Source: Compiled by the Legislative Audit Division from Montana Code Annotated.

Conclusion: No Increased Benefit to Move Programs

The recipients of the grants/loans in tables 3 and 4 work with or communicate with the entities awarding the funds during the course of regular business. The business relates to a number of areas and may or may not involve administration of the grant/loan. There would be no increased benefit of moving the grant/loan programs from those agencies to another location. Such a move would create another agency for the recipient to contact. This defeats the purpose of increased efficiency for the applicant/recipient.

Chapter II - Coordinate Grant and Loan Information

Summary: Consolidation is Not Organizationally Efficient

Due to the diversity of projects funded by the various programs it would not be feasible to organizationally combine most of the programs. As the previous tables show, the grant/loan programs range from funding ranchers and farmers for rangeland improvement to funding health care facilities. The people administering the programs are specialists in their areas and provide expertise for other areas in their department. One person would not have the specific knowledge needed to administer a range of specialized programs. People monitoring child care grants are not likely to have the knowledge to help sportsmen groups with shooting ranges.

Programs are currently in agencies relating to the program i.e., agriculture loans are in the Department of Agriculture. By having the person administering the program in an agency related to the program, the administrator has other staff available for questions or problems that arise. This source of knowledge would not be as readily available to people administering grants/loans from a single agency. The FTE levels we identified did not always include centralized services or some specialized personnel, such as engineers that review plans. Accounting, administrative, and other specialized personnel would also have to be available to the grant/loan administrators if they were all in one agency.

Coordinating Grant and Loan Program Information

While we determined the current organization of the state's grant and loan programs facilitates organizational efficiency for program administration, the current organization does not necessarily facilitate good communication. We found dissemination of information about the programs in the form of marketing and training varies from agency to agency. Some agencies actively disseminate information about their programs and others do not.

Better coordination would facilitate good communication about the state's grant and loan programs. Better coordination could take the form of a central location for people to contact for information about grant and loan programs, direct people to the correct staff in the appropriate agency, and help market the programs. The following

Chapter II - Coordinate Grant and Loan Information

section discusses why better coordination and communication are needed.

Better Coordination and Communication is Needed

In Montana, most loan activity occurs at the local level while grant activity occurs at the state level. We contacted a number of financial institutions to determine if they were aware of the state's loan programs. We found financial institution loan officers are aware of some programs and not others. They were aware of programs that:

- ▶ Provide them information.
- ▶ Keep in periodic contact with them.
- ▶ Are explained as part of training they receive during annual or regional meetings.

What appears to be missing at the state level is easy access to program information. Each agency is responsible for providing information about the grant/loan programs it administers to interested entities. Information is provided in a number of ways including department web sites, brochures, newsletters, and agency staff attending trade and organization meetings. All of these methods target specific groups and only provide information about a limited number of programs. There is no central function which allows a person or business to obtain information about a variety of programs.

Agencies' web sites address individual programs and are not usually linked to other agencies with grant/loan programs. Thus someone who is interested in an agriculture loan to produce honey could find information about the Department of Agriculture's loans at that department's web site, but would not have a link to the Department of Commerce's microbusiness loan program to market the honey.

Public telephone books do not provide listings for specific grant and loan programs. A person calling a department about a grant or loan could be routed through a number of people before being connected to program staff or end up listening to a recording to leave a

Chapter II - Coordinate Grant and Loan Information

message. While gathering information about the various programs we:

- ▶ Listened to a message telling us someone had retired, the person that recorded the message was not available so we could leave a message or dial 0 to talk to a person.
- ▶ Called an agency and the phone was not answered nor did we get a recording. We finally called the agency director's office to determine if there were program staff we could talk to.
- ▶ Found a program we wanted to contact was not listed in the Helena telephone book or the State Government Telephone Directory which provides a more detailed listing of state telephone numbers.

While each agency appears to be doing a good job of marketing its grant and loan programs to specific groups, the state could improve access to information about all state grants and loans. A coordination role could provide a central access point for public or business sectors to obtain information. Methods to improve access include:

- ▶ Maintaining a list of all state-administered grant and loan programs.
- ▶ Marketing the programs.
- ▶ Directing parties to training about grant and loan programs.

The following sections discuss these various methods to improve access to grant and loan program information.

Maintain a Comprehensive List

Currently, there is no comprehensive list of all state grant and loan programs. Each agency has a list of its programs. We identified 45 grant and loan programs and believe there are more available that are not readily identified in statute, such as the Natural Resource Damage Program administered by the Department of Justice. A comprehensive list could provide such information as:

- ▶ Eligible recipients.

Chapter II - Coordinate Grant and Loan Information

- ▶ Grant and loan conditions, such as needed matches.
- ▶ Dollar limits.
- ▶ Application information.
- ▶ When grants or loans are awarded (yearly, every six months, first come-first served).

Creation of a master list would provide information about available programs to interested parties. State agencies would have to keep the list correct by informing the entity responsible for the list's content of changes, additions, or deletions to the programs.

Market State Grant and Loan Programs

A number of agencies actively market their programs. For example, Department of Agriculture staff attend most of the annual agricultural association conferences. At the meetings they provide brochures and information about the programs, and talk with individuals/businesses interested in the programs. Staff also attend bankers association meetings and provide information to county extension agents.

Department of Natural Resources and Conservation staff attend regional and annual conservation district meetings to provide information about their programs. At the meetings they provide brochures and fact sheets. Staff also send newsletters on a regular basis.

The state and federal agencies dealing with water, wastewater and solid waste programs provide workshops for interested applicants. Program staff compiled a mailing list and the entities on the list are sent brochures about upcoming workshops.

While attending meetings and sending newsletters and brochures markets programs, the information is provided to specific groups. Currently, Montana does not have a central system to provide information to any interested party. The following are options that would improve communication:

- ▶ a web site,

Chapter II - Coordinate Grant and Loan Information

- ▶ brochures,
- ▶ newsletters,
- ▶ providing easy telephone access, and
- ▶ advertise a toll-free number.

These options are discussed in the following sections.

Develop a Central Web Site

Technology is available to facilitate marketing all the programs from a central location. The state markets its tourism resources using the Internet. A similar approach for grants and loans using a web site to provide information about all state-administered grant and loan programs is feasible.

The web site could provide general information about types of programs available and direct links to the various agencies with grant and loan programs such as the Department of Agriculture. This agency lists its programs on its web site. The site gives a brief description of each program, the name and telephone number of the person administering the program, and provides an application on-line or links to an e-mail address so a person can request an application. Effective coordination could ensure other agencies with grants and loans have pages similar to Agriculture's so there would be consistency and ease in disseminating information to the public. Links to local community economic development programs, economic development organizations such as the Montana Economic Developers Association, and federal programs could also be provided on the web site.

Develop Brochures or Newsletters

Another marketing method would be comprehensive brochures or newsletters providing information about all available grants/loans. Information could be sent on a regular basis (every two to six months) to state and public libraries, county and city/town governments, districts such as water, sewer, conservation and schools, etc. Based on the experience of one program in the Department of Commerce, brochures would cost a little more than \$100 for 1,300.

Chapter II - Coordinate Grant and Loan Information

Provide Telephone Access

City telephone books list state government telephone numbers. The Helena telephone book provides telephone numbers for specific programs. Telephone books for cities other than Helena generally only provide division telephone numbers, not program numbers. If a person did not know what department or division administers a program, the caller could be routed through a number of people before finally reaching someone who could discuss the program.

A coordination role could establish a toll-free number for a person to call inquiring about state grant and loan programs. The phone service would have to be appropriately staffed so a caller would not receive a recorded message. Coordination staff could provide general information about a program and direct the caller to a person in the appropriate agency.

Advertise the Toll-Free Number

A toll-free number could be established and advertised for people to call with questions about grant and loan programs in general or about specific programs. The number could be disseminated through advertisements in trade magazines/journals and the yellow pages of local telephone books. Advertisements could be placed in the yellow pages under economic development, loans, etc. with a toll free number, an e-mail address, and the web site address.

Direct Parties to Training About the Grant and Loan Programs

Going to annual meetings and providing brochures and newsletters provides general information about grant and loan programs. Getting people to understand the specifics of programs involves training. State agency staff aware of the specifics could be used as training resources. The training could be directed on a city basis, seminars, going to association meetings, etc. throughout the state. A coordination role could provide information about the location and purpose of individual agency training sessions to applicable participants.

Chapter II - Coordinate Grant and Loan Information

Review Forms for Consolidation

Three state agencies and one federal agency developed a common application form, environmental checklist, and preliminary engineering report encompassing five programs providing funding for water, wastewater, and solid waste projects. In 1997, the Montana Departments of Commerce, Environmental Quality, and Natural Resources and Conservation, along with the federal Department of Agriculture/Rural Development Program, developed an application supplement that contains common forms and checklists for five programs. Once completed, the forms and checklists in the supplement can be copied and submitted to any of the following programs:

- ▶ Montana Board of Investments – INTERCAP Program.
- ▶ Montana Department of Commerce – Community Development Block Grant Program.
- ▶ Montana Department of Commerce – Treasure State Endowment Program.
- ▶ Montana Department of Environmental Quality – State Revolving Fund Loan Programs.
- ▶ Montana Department of Natural Resources and Conservation – Renewable Resource Grant and Loan Program, and State Revolving Fund Programs.
- ▶ U.S. Department of Agriculture – Rural Development Program/Rural Utilities Service.

Each program has additional application information. The supplement instructs applicants on how to obtain the forms for the additional information.

Since the coordination function would have frequent access to all grant/loan material, forms could be reviewed for consolidation and streamlining. If consolidation appears feasible, the agency(ies) could work together, as they have done before, to consolidate form information.

Chapter II - Coordinate Grant and Loan Information

Conclusion: Coordination Function Needed

Currently, information about the numerous state grant and loan programs is disseminated through a number of different methods, depending on the agency and even the division within the agency. There is no central access to what the state offers in terms of grants and loans. A coordination role could provide that mechanism/location.

This coordination function should, at a minimum:

- ▶ Establish a central list of grants and loans.
- ▶ Market the various programs via a web site, mailing brochures and newsletters, advertising a toll-free number, etc.
- ▶ Communicate location and purpose of program training sessions to organizations, associations, institutions, etc.
- ▶ Provide a central point for people to call to obtain information about grant and loan programs.
- ▶ Review forms to determine if any can be consolidated and streamlined.

Cooperation among state agencies with grant/loan programs is essential for coordination and communication. We do not believe the coordination function should be involved in actual economic development efforts such as administering grant/loan programs or recruiting businesses to move to Montana.

To provide direction and responsibility, a specific mission and goals should be developed for the coordination function. The mission and goals should be developed in conjunction with applicable state agencies to ensure coordination activities are meeting the needs of the individual programs.

Since one of the functions of the Department of Commerce is to foster economic development, we believe a coordination function should be placed in that department. The department is responsible for providing coordinating services to aid in the promotion of new economic enterprises, and collecting and disseminating information

Chapter II - Coordinate Grant and Loan Information

regarding the advantages of developing enterprises in the state. A coordination function would complement and enhance these existing responsibilities.

Recommendation #1

We recommend the Department of Commerce:

- A. Coordinate state-administered grant and loan programs by:**
- ▶ **Compiling a comprehensive list of state grant and loan programs.**
 - ▶ **Marketing the programs via a web site and other methods.**
 - ▶ **Communicating/coordinating training at applicable association/organization, institution, etc. meetings.**
 - ▶ **Reviewing application forms for coordination and streamlining.**
 - ▶ **Providing a central telephone access point.**
- B. Develop a mission and goals for the coordination function.**

**Legislative Action:
Centralized Financial
Assistance Center Created**

During the audit we issued a legislative request document addressing many issues presented in this report. The legislative request document was preliminary and did not provide detailed information about specific grant and loan programs.

Using information from our legislative request document, the 2001 Legislature enacted House Bill 650 (Chapter 307, Laws of 2001) providing for a centralized financial assistance center within the

Chapter II - Coordinate Grant and Loan Information

Department of Commerce. The legislation requires the center and the department to implement many of the items identified such as:

- ▶ a central list of state-administered grants and loans,
- ▶ a web site,
- ▶ marketing the programs, and
- ▶ reviewing forms for consolidation and streamlining.

Chapter III - Programs No Longer Active or Never Funded

Introduction

Our review identified a number of grant/loan programs that are no longer active or never received funding to award grants or loans. The following sections discuss these programs and include recommendations as to whether the applicable statutes should be modified or deleted.

Montana Department of Transportation

The Montana Department of Transportation (MDT) has three programs that never received funding. All the programs relate to railroads and are in the Transportation Planning Division. The programs are described in the following sections.

Railroad and Intermodal Transportation Facility Loans and Grants (Section 60-11-120, MCA)

Section 60-11-120, MCA, enacted in 1993, allows MDT to provide loans and grants to preserve and continue operation of railroad branch lines and for the development and improvement of intermodal transportation facilities. The legislature was to appropriate General Fund money to fund the loans and grants. No loans or grants have been made under section 60-11-120, MCA.

Recommendation #2

We recommend the Department of Transportation seek legislation to delete section 60-11-120, MCA.

Railroad Rehabilitation Projects (Title 60, chapter 11, part 11, MCA)

In 1979, MDT was authorized to issue and sell railroad rehabilitation revenue bonds. The proceeds were to be used by MDT to make loans to persons for financing rehabilitation projects on rail lines in Montana. The loans could be used to repair, improve or replace rail facilities to improve the safety and efficiency of the facilities. The revenue from the project would be used for the loan repayment. No bonds were ever sold.

Chapter III - Programs No Longer Active or Never Funded

Rolling Stock Loans (Title 60, chapter 11, part 12, MCA)

In 1979, MDT was also authorized to issue and sell railroad rolling stock revenue bonds. Rolling stock is defined as railroad cargo carriers used to transport grain, coal, ore, lumber, freight, and commodities. The proceeds were to be used by MDT to make loans to persons doing business in Montana for financing rolling stock projects based in Montana and used primarily to transport grain, coal, ore, lumber, freight, and commodities produced in Montana. Persons who intend to use the loan proceeds in such a manner as to create new jobs in Montana were given preference. No bonds were sold.

Conclusion: Delete Statutes

Federal tax ramifications prevented the sale of revenue bonds for the Railroad Rehabilitation and Rolling Stock Programs. As a result, we believe the department should seek legislation to delete these statutes.

Legislative Action: Statutes Deleted

The legislature deleted Title 60, chapter 11, parts 11 and 12 in Chapter 307, Laws of 2001.

Departments of Fish, Wildlife & Parks and Public Health and Human Services

The Enforcement Division in the Department of Fish, Wildlife & Parks is authorized to sell donated or seized game animal meat (section 87-1-513, MCA). After deducting costs of conducting the sales, proceeds are to be deposited in the state Special Revenue Fund to the credit of the Department of Public Health and Human Services. DPHHS is to use the money to award grants to the Montana Food Bank Network. Food Banks are to use the money for processing donated game animal meat. The Food Bank Network can use any remaining grant funds for other appropriate purposes.

There has been no activity in this program. Most of the game meat is donated to the Montana Food Bank Network. Proceeds after deducting Enforcement Division costs from sales has resulted in approximately \$100 since program inception in 1997. For this reason we believe the department should seek legislation to delete the reference to grants in this statute.

Chapter III - Programs No Longer Active or Never Funded

Recommendation #3

We recommend the Departments of Fish, Wildlife & Parks and Public Health and Human Services seek legislation to delete the reference in section 87-1-513(2), MCA, regarding the proceeds from the sale of donated or seized game animal meat be credited to DPHHS for grants to food banks.

Board of Regents

The Montana Board of Regents administers the Motorcycle Safety Training Program (Title 20, chapter 25, part 10, MCA) which provides training to promote safety and awareness in the use and operation of motorcycles. The Board of Regents is authorized to establish minimum requirements for instruction, courses, and instructor certification for motorcycle safety. Staff, the Motorcycle Safety Advisory Committee (made up of five members), and the board are responsible for developing the training curriculum. Staff are responsible for scheduling training classes.

Although statute indicates the board may award grants to provide facilities for motorcycle safety training courses, the use of grants has not been necessary. Facilities have always been available for training.

Since the board has never awarded grants for facilities for motorcycle training courses, we believe the reference to grants in section 20-25-1006(4), MCA, should be deleted.

Legislative Action: Statute Modified

The reference to awarding grants was deleted from section 20-25-1006(4), MCA, in Chapter 307, Laws of 2001.

Chapter III - Programs No Longer Active or Never Funded

Department of Commerce

The Department of Commerce (DOC) has one grant and loan program which is no longer funded and one that has never been funded. The following sections discuss the programs.

Job Investment Loan Program (Title 17, chapter 6, part 5, MCA)

The 1995 Montana Legislature created the Job Investment Loan Program through passage of the Job Investment Act. The purpose of the act was to assist in the creation, development, and financing of businesses whose primary obstacle for expansion or retention of employment was access to the appropriate type and amount of financing.

The program was administered by the Montana Science & Technology Alliance (MSTA) at the Board of Investments and could make loans of up to \$500,000 from the Coal Tax Trust Fund. Businesses submitted their applications to DOC where a department loan committee reviewed them. The committee made recommendations to the MSTA Board as to which applicants should receive loans. The MSTA Board made the final loan decision based on these recommendations.

Three loans totaling \$1 million were made in the two years the program was active. Two loans have been paid off; the third has a balance of \$350,000. No loans have been made since 1996 and the program is no longer active. Therefore, we believe the department should seek legislation to delete the statute.

Legislative Action: Statute Deleted

Title 17, chapter 6, part 5, MCA, was deleted from statute in Chapter 307, Laws of 2001.

Hard Rock Mining Impact (Title 90, chapter 6, part 3, MCA)

The Hard Rock Mining Impact Program was established to mitigate the influx of people and the corresponding increase in demand for local government services due to the large-scale development of mineral deposits. After applying for a mining permit, a developer must submit an impact plan to the affected local government unit and to the Hard Rock Mining Board. The impact plan must include a timetable for opening and closing the mine, the number of people coming into the area as a result of mine development, any increased operating costs to local government units, and the financial or other

Chapter III - Programs No Longer Active or Never Funded

assistance the developer will provide to local government units. In addition, the developer must commit within the impact plan to pay the increased capital and net operating costs to local government units resulting from mine development. The developer pays this through the mine's property taxes and impact bonds established by the mine.

No grants or loans are awarded through this law since increases on local government services is addressed in the impact plan. Therefore, we believe the department should seek legislation to delete the reference to awarding grants in this statute.

Legislative Action: Statute Modified

The reference to awarding grants was deleted from statute in Chapter 307, Laws of 2001.

Department of Agriculture

Department of Agriculture's Vertebrate Pest Grant Program (section 80-7-1102(4), MCA) was never funded. The purpose of the grant program was to provide for the orderly administration of a rodenticide fund collected through payment of a surcharge established in 1987. This section of law allows the department to make grants and enter into contracts to conduct vertebrate pest management projects. The legislature eliminated the surcharge in 1993 because of cost compared to revenue. As a result, the grant program was never active.

Program staff continue to provide information to individuals concerning the management and suppression of vertebrate pests such as jackrabbits, ground squirrels, rats, skunks, raccoons, starlings and house sparrows. Information is provided through seminars, workshops, etc. The department also administers insect and weed pest programs.

Recommendation #4

We recommend the Department of Agriculture seek legislation to remove the authority to make grants to conduct vertebrate management projects in section 80-7-1102 (4), MCA.

Chapter III - Programs No Longer Active or Never Funded

Department of Environmental Quality

The Department of Environmental Quality (DEQ) has four programs we believe could be deleted from statute. The following sections discuss each program.

Solid Waste Management Loans and Grants (Title 75, chapter 10, part 1, MCA)

Statute enacted by the 1977 Legislature authorized DEQ to make grants and loans to local governments for solid waste management. According to DEQ personnel this authority allowed the department to accept federal funds to be passed onto local governments to do a study of composting. They believe the \$40,000 received for the study was the only grant or loan for solid waste management. Funds for these projects could be loaned through the state revolving loans. However, the department does not make loans to local governments for solid waste management operations due to issues of competition with private entities.

Recommendation #5

We recommend the Department of Environmental Quality seek legislation to delete statutes relating to the provision of grants and loans for solid waste management.

State-Owned Building Retrofitting (Section 90-2-141, MCA)

State statute authorizes DEQ to make grants to state agencies for energy efficiency analysis of state-owned buildings. It may also make loans to state agencies for retrofitting state-owned buildings. This program received a \$1,985,000 appropriation of oil overcharge money in the 1987 biennium. The program was then replaced by the State Building Energy Conservation Program authorized in Title 90, chapter 4, part 6, MCA, by the 1989 Legislative Session.

Recommendation #6

We recommend the Department of Environmental Quality seek legislation to delete section 90-2-141, MCA.

Chapter III - Programs No Longer Active or Never Funded

Energy Conservation in Agriculture (Section 90-2-140, MCA)

DEQ is authorized to make grants to conservation districts under its state energy conservation program for projects promoting energy conservation in agriculture. This legislation was enacted at the same time the state's energy loan program was put in place. The main funding source of the program was the federal oil overcharge funds passed on to the states. These funds were appropriated to the Department of Natural Resources and Conservation. Any funds for these purposes would have been passed through to the local conservation districts. There has been no activity since 1991.

Recommendation #7

We recommend the Department of Environmental Quality seek legislation to delete section 90-2-140, MCA.

Alternative Energy and Energy Conservation Research Development Loan Program (Title 90, chapter 4, part 1, MCA)

Legislation enacted by the 1975 Session authorized the Alternative Energy and Energy Conservation Research Development Loan Program. The purposes of the legislation were to stimulate research, development, and energy conservation of renewable energy sources which are harmonious with ecological stability. The loans were to provide for funding and administration of research. The 1989 Legislature transferred the funding source for the loans (Coal Severance Taxes) to the Science and Technology Program. The program stayed as law because a number of loans were still being repaid. The 1999 Legislature transferred the last of the loan repayments to the General Fund and closed the accounts.

Recommendation #8

We recommend the Department of Environmental Quality seek legislation to delete Title 90, chapter 4, part 1, MCA.

Agencies Responses



MONTANA DEPARTMENT OF COMMERCE

Director's Office
1424 9th Avenue PO Box 200501
Helena, MT 59620-0501

Phone (406) 444-3494
FAX (406) 444-2903
TDD (406) 444-2978

May 4, 2001

Jim Pellegrini
Deputy Legislative Auditor
Performance Audits
Legislative Audit Division
P.O. Box 201705
State Capitol
Helena, MT 59620-1705

MAY 4 2001

RE: Response to Limited Scope Performance Audit on State-Administered Grant and Loan Programs

Dear Mr. Pelligrini:

The Department of Commerce has reviewed the audit report recommendations and HB 650. We appreciate the opportunity to comment on the report. As you know, HB 650 is now a matter of law and outlines in detail the responsibilities of the Department of Commerce regarding the formation and operation of a finance assistance center. Although the requested staff and funding was not approved by the legislature, the Department will certainly proceed with existing staff and resources to implement the intent and purpose of the law. The creation of a finance assistance center in Commerce will receive a high priority when allocating resources within the Department. The Department sees the value and benefits that the creation of a finance assistance center will generate for Montana. The Regional Development Program will be integrally involved in the development of the finance assistance center and especially in the provision of technical assistance and marketing.

We substantially agree with the audit recommendations. Our comments on the recommendations contained in the audit report are as follows:

Recommendation #1 – Compile a list of state grant and loan programs.

HB 650 provides detailed guidance on the compilation of information regarding state grant and loan programs. In addition, the statute also provides direction regarding the compilation of nonstate grant and loan programs, state tax incentives, marketing of the center, and provision of technical assistance.

Although parts of the statute were inconsistent, the Department will perform all required functions. For example, Section 4(2)(b) requires that the Department shall “maintain and provide information related to nonstate loan and grant programs”. Section 4 (4) indicates that the Department “may gather and disseminate information related to nonstate loan sources”.

Another issue that is unclear relates to the definition of “financial assistance” in Section 3, and the intent of the statute. The bill defines financial assistance as “loans, grants, and tax credits or incentive programs offered by the state to facilitate economic development activities and infrastructure, repair, or replacement”. The definition and the use of the term “financial assistance” appears to be intended as a limitation on the compilation of information to economic development activities and infrastructure only. Section 4(3)(f) requires the Department to collect information for “all state loan and grants...”, which would presumably include other activities that may be unrelated to economic development and infrastructure.

The Department of Commerce would like guidance from the auditors regarding these issues. Although the bill is not effective as statute until July 1, 2001, the Department will proceed now with this recommendation.

Recommendation #2 – Communicate the programs via a web site and other methods.

Once sufficient information is accumulated regarding state and nonstate loan and grant programs, the Department will begin constructing a new web page and marketing the center and programs contained in the database. It is anticipated that the web page construction will begin after July 1, 2001 and continue until January 1, 2002. The work will be done primarily by existing staff as resources permit. The web page will be updated as much as possible, at least annually.

The sample cost of brochures mentioned on page 16 of the audit report does not account for staff time preparing the brochures. The Department will include the Finance Assistance Center program as part of a new resource directory that will incorporate information on its technical assistance programs and prominent state and nonstate economic development financial assistance programs.

One critical issue that should be addressed is the capacity of state grant and loan programs to handle current and increased demand. Most state and loan programs have applications that far exceed the funding capacity available. The Department will also collect information on demand for state financial assistance sources compared to funding capacity and include it in the required report to the next legislature.

Recommendation #3 – Direct parties to training about the grant and loan programs.

The Department will request that agencies provide training information on a regular basis so that it can transmit it broadly to various sources using a variety of communication methods including email and the web site.

Recommendation #4 – Review application forms for coordination and streamlining.

The Department will review rules, application forms and processes, and lending cycles of loan and grant programs administered by other state agencies as required by HB 650. The Department, as noted in the audit report, has successfully accomplished similar activities in the past. It should be noted however, that the programs discussed on page 17 of the audit report do not have identical application processes and timing. There has been some standardization of forms but the overall application processes and timing still varies dramatically by funding source. It is still a worthwhile effort to coordinate and standardize as much as possible, especially for business loan programs.

Recommendation #5 – Provide a central telephone access point.

The focus of marketing activities will be the promotion of the web page and a finance resource directory, which will have information on available programs and direct telephone numbers and email addresses for applicable contacts. The Department's primary goal is to direct potential applicants to the appropriate program with the minimum of referrals (preferably none) within government. The Department will actively market the web page and finance directory as broadly as possible using printed and electronically transmitted materials to organizations such as the Montana Economic Developers Association, Rural Development Partnership, Friends of Montana, Montana Ambassadors, Chambers of Commerce, local governments, and various state-wide associations. Department of Commerce technical assistance programs such as the Regional Development Officers, Small Business Development Centers, and the Community Technical Assistance Program will also actively market the web page and finance resource directory.

Actively promoting a single number as an access point to all state funding programs would create significant confusion and frustration since most inquiries will still have to be forwarded to the relevant agencies and programs. The audit report acknowledges that due “to the diversity of projects funded by the various programs it would not be feasible to organizationally combine most of the programs” and that one person “would not have the specialized knowledge needed to administer a range of specialized programs.” These statements also apply to some extent to the financial assistance center. It is not efficient to actively market one contact point when the loan and grant program specialists are located throughout state government agencies.

The principal contact point for the financial assistance center should be for general day to day unsolicited inquiries about finance programs from people seeking guidance regarding appropriate contacts for them to pursue specific information. We should try not to encourage contacts that could have been made directly to experts within state programs. This is especially true since no staffing was approved by the legislature. The cost for a toll-free number and staffing will need to come from existing budgets.

The Department will make every effort to follow this recommendation and will use existing staff within the Regional Development Program, such as the program assistant and Finance Programs Manager, who are usually available on a regular basis in the office.

Information regarding the Financial Assistance Center will be marketed primarily after the web page is constructed and online for general access after January 1, 2002. There will be one physical location for all information collected within the main offices of the Department, once space is found. The existence of a single physical location to review all available information on state and nonstate grant and loan programs will also be marketed broadly by the Department.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Simonich".

Mark A. Simonich
Director



Montana Department of Transportation

2701 Prospect Avenue
PO Box 201001
Helena, MT 59620 1001

Gov. Mark Warner
Jud. Martin G. Green

May 4, 2001

Jim Pellegrini
Deputy Performance Audits
P.O. Box 201705
Helena, MT 59620-1705

MAY 4 2001

Dear Mr. Pellegrini:

Thank you for the opportunity to comment on the draft performance audit report regarding the efficiency of administering state loan and grant programs.

The report identifies the Railroad and Intermodal Transportation Facility Loans and Grants Program contained in 60-11-120, MCA as inactive because the legislature has not appropriated funds for program implementation. MCA 60-11-120 was identified for repeal in the original version of HB 650 during the 2001 legislative session and the Montana Department of Transportation (MDT) did not oppose this. However, the final version of HB 650 left 60-11-120 in place with the thought there might be funding available in the future. Considering the action taken in the 2001 legislature, MDT prefers to leave 60-11-120 in place and not pursue legislation to repeal it in the 2003 legislative session.

As requested in your letter, attached is our position on the recommendation contained in the performance audit report. If you would like an electronic version of this letter and attachment, please contact my office. We have destroyed all copies of the draft report as requested.

Sincerely,

David A. Galt
Director

attachment

copies: Patricia Saindon, MDT Rail, Transit & Planning Division Administrator
Timothy Reardon, MDT Chief Legal Counsel

Montana Department of Transportation



Response to Recommendation # 2

Section 60-11-120, MCA was established in 1993 to allow MDT to provide funds in the form of loans and grants to railroads from the "Special railroad facilities and intermodal transportation facilities account" established in 60-11-122, MCA. Revenue from acquisitions and operations from operators of railroads owned by the state were to be deposited in this account. 60-11-122 MCA was repealed in 1997 and 60-11-120 was amended, replacing the reference to 60-11-122 with funding that would be appropriated by the legislature for the activities contained in 60-11-120. The legislature has never appropriated funds to be placed in this account.

HB 650 in the 2001 legislature contained provisions to repeal 60-11-120 because of its inactive status. The committee recognized the program was unfunded but did not want to repeal 60-11-120 in case funding becomes available in the future. The final version of HB 650 does not repeal 60-11-120. Considering the action taken in the 2001 legislature, MDT prefers to leave 60-11-120 in place and not pursue legislation to repeal it in the next session.



MAY 10 2001

*Montana Fish,
Wildlife & Parks*

P. O. Box 200701
Helena, MT 59620-0701
(406) 444-3186
FAX:406-444-4952
Ref:DO0272-01
May 10, 2001

Jim Pellegrini, Deputy Legislative Auditor
Legislative Audit Division
State Capital
Helena, MT 59620

Dear Mr. Pellegrini:

Fish, Wildlife & Parks (FWP) has reviewed the performance audit report issued on State-Administered Grant and Loan Programs. FWP's response to the recommendation that relates to this Department follows:

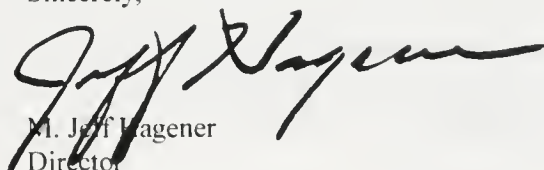
Recommendation # 3

We recommend the Departments of Fish, Wildlife & Parks and Public Health and Human Resources (DPHHS) seek legislation to delete the reference in section 87-1-513(2), MCA, regarding the proceeds from the sale of donated or seized game animal meat being credited to DPHHS to be used for grants to food banks.

As identified in the audit, FWP has transferred very little money to DPHHS since the inception of this program in 1997. Instead, FWP has chosen to donate game meat directly to the Montana Food Bank Network. FWP will support DPHHS's efforts to delete the reference found in Section 87-1-513(2), MCA that states the proceeds from the sale of donated or seized game animal meat being credited to DPHHS to be used for grants to food banks.

We thank you for the opportunity to respond to this audit recommendation.

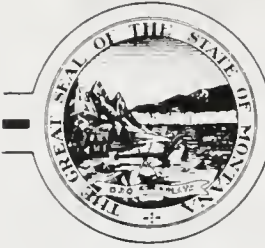
Sincerely,



M. Jeff Magener
Director

Enc. (2 Audit Report Copies)

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



JUDY MARTZ
GOVERNOR

GAIL GRAY, Ed.D.
DIRECTOR

STATE OF MONTANA

www.dphhs.state.mt.us

PO BOX 4210
HELENA, MONTANA 59604-4210
(406) 444-5622
FAX (406) 444-1970

May 4, 2001

Mr. Jim Pellegrini
Deputy Legislative Auditor
Performance Audits
Legislative Audit Division
Box 201705
Helena, MT 59620-1705

MAY 7 2001

Dear Mr. Pellegrini:

Thank you for asking for a position from DPHHS on recommendation #3 of your draft limited scope performance audit of state-administered grant and loan programs. That recommendation would have the Department of Fish, Wildlife and Parks seek legislation to delete statutory language regarding the proceeds of donated or seized game being credited to DPHHS for grants to food banks. The rationale for the recommendation is that since no such funds have ever been realized, the statute was not needed.

Although it is correct that this statute has generated no funds, what has happened is that DFWP has donated the confiscated game to the food banks in lieu of conducting auctions of subject game. If the draft recommendation were adopted, we would ask that legislative direction also be given to DFWP that such donations be continued. Absent such direction, DFWP could resume auctions of the game, deposit the proceeds in their account and there would be no benefit to the food banks of the state. The game that has been donated has been a critical component to the operation of the food-processing program we operate at the Montana State Prison and to local food banks and we would oppose any statutory or regulatory changes that adversely affect our attempts to feed low income Montanans.

Sincerely,


Gail Gray
Director

cc Hank Hudson
Jim Nolan



JUDY H. MARTZ
GOVERNOR

MONTANA DEPARTMENT OF AGRICULTURE

OFFICE OF THE DIRECTOR
303 N ROBERTS, PO BOX 200201
HELENA, MONTANA 59620-0201

W. RALPH PECK
DIRECTOR
(406) 444-3144
FAX (406) 444-5409
TDD (406) 444-4687
E-MAIL: agr@state.mt.us
WEBSITE: www.agr.state.mt.us

May 7, 2001

MAY 7 2001

Jim Pellegrini
Deputy Legislative Auditor
Performance Audit
Legislative Audit Division
PO Box 201705
Helena, MT 59620

Dear Jim:

Thank you for the opportunity to respond to your recent performance audit report, "State-Administered Grant and Loan Programs." Below is the Department's response.

Recommendation #4

We recommend the Department of Agriculture seek legislation to remove the authority to make grants to conduct vertebrate management projects in section 80-7-1102 (4), MCA.

The Department agrees that under current legislation, and in accordance with changes made by the 1993 Legislature which eliminated the surcharge on retail rodenticides, the words "make grants" could be removed from 80-7-1102 (4), MCA. However, the Department prefers to include this change in housekeeping legislation sponsored by the Legislative Audit Committee. There are several similar changes recommended in the report as identified by the Legislative Auditor. We are reluctant to commit to introducing specific legislation to remove the "make grants" language in that it does not seem cost effective.

The Department will continue to work with individuals and groups to provide education and information concerning the management and suppression of vertebrate pests in the State of Montana. We believe the remaining sections of this statute provide adequate authority for program administration.

Sincerely,

Ralph Peck
Director



Montana Department of
ENVIRONMENTAL **Q**UALITY

MAY 5 2001

Judy H. Martz, Governor

P.O. Box 200901 • Helena, MT 59620-0901 • (406) 444-2544 • www.deq.state.mt.us

May 4, 2001

Mr. Scott A. Seacat
Legislative Auditor
Office of the Legislative Auditor
State Capitol, Room 160
Helena, Montana 59620-1705

Dear Mr. Seacat:

By this letter, I am transmitting the Department of Environmental Quality's formal response to your Limited Scope Performance Audit regarding State-Administered Grant and Loan Programs.

Thank you for the opportunity to comment.

Sincerely,

Jan P. Sensibaugh
Director

cc: Ann Danzer, Administrator
Centralized Services Division

Page 40

Recommendation #5

We recommend the Department of Environmental Quality seek legislation to delete statutes relating to the provision of grant and loans for solid waste management.

The department concurs with this recommendation.

The department would also like to clarify the original purpose of the grant language in the Solid Waste Management Act. The grant program was established to provide grants to counties to develop solid waste management plans. The reason for the plans was to promote and establish consistent and reliable systems to collect, recycle, and dispose of solid wastes. At that time, Montana was still attempting to close numerous open burning dumpsites and replace them with programs that met the requirements of the laws and provided adequate solid waste disposal for all citizens of the state. The grant program was funded with general fund dollars and that appropriation ended sometime in the mid-1980's. The \$40,000 federal grant mentioned in the audit narrative was a one-time, one-project grant that was not actually a part of the original grant program. Nonetheless, the grant provisions contained in the Solid Waste Management Act are no longer utilized. The department will seek legislative changes during the 58th Legislative Session to repeal the grant language that has not been used for a considerable number of years.

Recommendation #6

We recommend the Department of Environmental Quality seek legislation to delete section 90-2-141, MCA.

The department concurs with this recommendation.

During the next Executive Planning Process, the Department will recommend legislation in the 2003 Legislature to repeal section 90-2-141, MCA. This program was funded through a one-time allocation of petroleum violation escrow account (oil overcharge) funds, allocated in the 1987 legislative session. The grant program authorized here has been replaced by an ongoing energy retrofit program for state buildings, financed through state general obligation bonds and authorized in Title 90, chapter 4, part 6, MCA.

Recommendation #7

We recommend the Department of Environmental Quality seek legislation to delete section 90-2-140, MCA.

The department concurs with this recommendation.

During the next Executive Planning Process, the Department will recommend legislation in the 2003 Legislature to repeal section 90-2-140, MCA. This program was funded through a one-time allocation of petroleum violation escrow account (oil overcharge) funds, allocated in the 1987 legislative session. Once those funds were expended, the program became dormant, and has been for several years.

Recommendation #8

We recommend the Department of Environmental Quality seek legislation to delete Title 90, chapter 4, part 1, MCA.

The department concurs in part with this recommendation.

The Alternative Energy and Energy Conservation Research and Development Loan Program was established by the 1975 Legislature and funded by the coal severance tax. The 1989 Legislature transferred funding from this program to the Science and Technology Program within the Department of Commerce, but the energy program remained on the books with several active loans making repayments. The last loan was closed out in 1998. The 1999 Legislature subsequently closed the loan account, and the program became dormant. A new alternative energy loan program was authorized by the 2001 Legislature in SB506, funded by air quality noncompliance fees. SB506 modifies and makes reference to parts of Title 90, chapter 4, part 1, MCA.

During the next Executive Planning Process, the Department will recommend legislation in the 2003 Legislature to repeal unnecessary and obsolete sections of Title 90, chapter 4, part 1, MCA, but preserving any sections made necessary or relevant by SB506.

Appendix

Appendix A

Department of Agriculture

Agricultural Finance Program (Rural Rehabilitation) (Title 80, chapter 2, part 1, MCA)

The purpose of the Agricultural Finance Program is to aid the rehabilitation of rural agricultural families. The program is designed to fill the gap in agricultural financing between private commercial lenders and the Farmers Home Administration. Funds may be used to make direct loans, refinance existing debt, and provide grants to individuals or organizations including 4-H Clubs, Future Farmers of America (FFA) Chapters, and the Young Ag Couples Conference. Loans under this program include:

- Participation and Subordination. Rural assistance financed in conjunction with federal programs.
- Rural Assistance. Used to finance agricultural enterprises (farmers and ranchers). Maximum loan amount is \$35,000 per individual or \$70,000 per household. Loans may be made to finance livestock, machinery, barns, irrigation systems, operating expenses, and agricultural land.
- Junior Agriculture. Designed to finance 4-H and FFA projects. Loans to individuals cannot exceed \$7,000. Loans of \$14,000 can be made to FFA Chapters and 4-H Clubs. Projects can involve crop and livestock production, custom farming, marketing and distribution.

Applicants for the Junior Agriculture Loan are asked to have a three-member local committee review the application and make recommendations to the applicant and the Department of Agriculture. A two-member committee is recommended for the Rural Assistance Loans.

Department staff assist with applications, review references, conduct credit checks, and assess due-diligence. Field visits include loan sites, finance companies, and program sponsors

Inception:	1973																																				
Board/Council:	Initial applicant review is conducted by a local review committee (agriculture-related members). Department review is conducted by an established in-house staff review group.																																				
Funding:	Federal assets from the Montana Rural Rehabilitation Corporation totaling \$1,075,051 were used to establish the program. Since 1973 loan repayment and interest provides the funding. The program is self-sufficient.																																				
FTE:	1.66																																				
Activity:	<table><tr><td colspan="3"><u>Participation</u></td></tr><tr><td>From 1974:</td><td>34 loans totaling</td><td>\$1,132,200</td></tr><tr><td>FY 2000:</td><td>2 loans totaling</td><td>\$23,345</td></tr><tr><td colspan="3"><u>Rural Assistance</u></td></tr><tr><td>From 1986:</td><td>147 loans totaling</td><td>\$2,962,726</td></tr><tr><td>FY 2000:</td><td>56 loans totaling</td><td>\$871,120</td></tr><tr><td colspan="3"><u>Junior Agriculture</u></td></tr><tr><td>From 1988:</td><td>590 loans totaling</td><td>\$3,216,334</td></tr><tr><td>FY 2000:</td><td>149 loans totaling</td><td>\$603,475</td></tr><tr><td colspan="3"><u>Subordination</u></td></tr><tr><td>From 1989:</td><td>156 loans totaling</td><td>\$7,312,334</td></tr><tr><td>FY 2000:</td><td>8 loans totaling</td><td>\$312,661</td></tr></table>	<u>Participation</u>			From 1974:	34 loans totaling	\$1,132,200	FY 2000:	2 loans totaling	\$23,345	<u>Rural Assistance</u>			From 1986:	147 loans totaling	\$2,962,726	FY 2000:	56 loans totaling	\$871,120	<u>Junior Agriculture</u>			From 1988:	590 loans totaling	\$3,216,334	FY 2000:	149 loans totaling	\$603,475	<u>Subordination</u>			From 1989:	156 loans totaling	\$7,312,334	FY 2000:	8 loans totaling	\$312,661
<u>Participation</u>																																					
From 1974:	34 loans totaling	\$1,132,200																																			
FY 2000:	2 loans totaling	\$23,345																																			
<u>Rural Assistance</u>																																					
From 1986:	147 loans totaling	\$2,962,726																																			
FY 2000:	56 loans totaling	\$871,120																																			
<u>Junior Agriculture</u>																																					
From 1988:	590 loans totaling	\$3,216,334																																			
FY 2000:	149 loans totaling	\$603,475																																			
<u>Subordination</u>																																					
From 1989:	156 loans totaling	\$7,312,334																																			
FY 2000:	8 loans totaling	\$312,661																																			

Department of Agriculture

Montana Agricultural Loan Authority (MALA) (Section 80-12-101, MCA)

The MALA is also known as the Beginning Farmer Loan Program. It was implemented to provide low-interest loans to beginning farmers and ranchers. Only two loans have been approved under the program. There has been no loan activity since 1986. The Tax Reform Act of 1986 halted the issuance of tax-exempt bonds for this program.

Department of Agriculture officials intend to revitalize this program for the 2002-2003 biennium because qualifying federal agricultural bonds for beginning farmers are now available. Staff workload should be minimal because application for a loan would be through a local bank or financial institution.

The tax-deduction portion of this program remains active. Under this portion of the program, if an existing farm/ranch landowner sells to a beginning farmer, the landowner may be eligible to receive a reduction in taxable income of \$50,000.

Inception:	1983	
Board/Council:	None	
Funding:	Prior to 1986:	federal tax-exempt bonds
	1986 to 2001:	none
	2001:	federal tax-exempt agricultural bonds
FTE:	0 currently.	
Activity:	Since inception:	2 loans totaling \$193,800
	FY 2000:	\$0 (1 loan remaining, balance \$9,835)
Tax exemptions:	8 since 1990	

Department of Agriculture

Montana Growth Through Agriculture (Section 90-9-101, MCA)

The purpose of the Montana Growth Through Agriculture Program is to strengthen and diversify Montana's agricultural industry through loans and grants to individuals and businesses. The program is designed to establish a public-private sector partnership to assist with development of innovative agricultural business and create new jobs in the agricultural sector. The program consists of three types of loans/grants:

- Seed capital. Used by businesses for commercialization and marketing of new/innovative products. Seed capital loans are limited to \$50,000.
- Marketing development. Used to enhance agricultural research capabilities, market development, and improve access to agricultural information. A one-to-one match is required for a grant. Applicants include public and private organizations, business and industry, educational institutions, local governments, and individuals.
- Trade activities. Used to promote sales, conduct marketing research, and provide exporting assistance to businesses.

Department staff prepare executive summaries for the Agriculture Development Council, conduct site visits, and assist with applications. Businesses interested in marketing development funds must submit requests for proposals. Applications for seed capital funds are obtained through the department.

Inception: 1987: Department of Commerce
1989: Transfer to Department of Agriculture

Board/Council: Agricultural Development Council (7 members)

Funding: Coal Severance Tax
\$1.25 million annual General Fund appropriation (2000 Special Session)

FTE: 1.66

Activity: Inception to 1989: No grants or loans

Loans
From 1989: 14 loan totaling \$589,200
FY 2000 0 loans (Loan activity was restricted due to a court case.)

Grants
From 1989: 136 grants totaling \$2,827,553
FY2000: 9 grants totaling \$278,358

Department of Commerce

Microbusiness Development Act (Title 17, chapter 6, part 4, MCA)

The Montana Legislature created the Microbusiness Finance Program in 1991. The legislature approved funding for Microbusiness Development Centers (MBDC) to make loans up to \$35,000 to microbusinesses. Microbusinesses are defined as those having fewer than 10 employees and less than \$500,000 in annual gross revenues.

The Department of Commerce (DOC) administers the program and certifies MBDCs. To become certified, or renew their certification, MBDCs must submit an application to the department. DOC staff assesses the MBDC's qualifications for administering development loan funds and making loans to microbusinesses. Development loans are funds loaned to MBDCs by DOC from the Coal Tax Trust Fund for the purpose of making loans to microbusinesses.

Once certified, the department enters into contracts with MBDCs specifying conditions MBDCs must meet to receive development loan funds. One major contract requirement MBDCs must meet is obtaining matching funds in a ratio of \$1 (matching funds) to \$6 (development funds) before any development loan funds are provided. MBDCs make quarterly interest payments to the department which helps fund the department's administrative costs.

Individuals apply for loans from their local MBDCs for working capital, equipment, and other fixed assets. Terms and conditions of each loan vary according to the needs of the business and the useful life of the equipment or assets being acquired.

DOC staff administer the development loans, provide assistance to the MBDCs, and monitor the program.

Inception: 1991

Board/Council: Microbusiness Advisory Council

Funding: A total of \$6.50 million was appropriated from the Coal Tax Trust Fund. The legislature approved an initial appropriation for the program of \$3.25 million and the 1995 legislature approved an additional appropriation of \$3.25 million.

FTE: 3.00

Activity: Development Loans

Since inception: 11 loans totaling \$5,000,000

Loans from MBDCs to Individuals

Since inception: 673 loans totaling \$10,423,617

Department of Commerce

Montana In-State Investment (Title 17, chapter 6, part 3, MCA)

State law provides the “. . . objectives for investment of the Permanent Coal Tax Trust Fund are to diversify, strengthen, and stabilize the Montana economy, and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment.” State law authorizes the Board of Investments (the Board) to invest up to 25 percent of the Permanent Coal Tax Trust Fund in the Montana economy, with special emphasis on investments in new or expanding locally owned enterprises. The in-state investment program makes business loans from the Coal Tax Trust Fund in participation with financial institutions. Five types of loans are available under this program:

- The Federal Guarantee Loan Program. The Board purchases 100 percent of the guaranteed portion of federally-backed loans, such as loans guaranteed by the Small Business Administration, the Bureau of Indian Affairs, the Rural Business and Cooperative Service, and the Economic Development Administration. The program provides fixed-rate financing for up to 30 years. Loan proceeds may be used for working capital, inventory, equipment, real property, or similar items. There is no detailed credit review by the Board. At the end of fiscal year 2000, this program had \$53.04 million in loan principal outstanding.
- The Business Loan Participation Program. The Board purchases up to 80 percent of a commercial loan from originating financial institutions. The program provides fixed-rate financing for up to 25 years and unencumbered land, buildings, and equipment may be financed with the loan proceeds. Financial institutions service the entire loan. The Board's loan is collateralized proportionally to the Board's share of the loan. There is a full credit review using the Board's underwriting policies. At the end of fiscal year 2000, this program had \$40 million in loan principal outstanding.
- The Economic Development Linked Deposit Program. The Board offers businesses long-term, fixed rate financing (up to 20 years) for working capital, inventory, or real property. The Board places a long-term deposit in a certificate-of-deposit at a pre-established rate with a financial institution originating the loan. The originating lender assumes all loan risk. The certificate-of-deposit is reduced annually commensurate with loan principal pay down. The lender is also assured of a specific interest rate spread between the funds on deposit and funds loaned to a business for the duration of the loan. There is no detailed credit review by the Board. At the end of fiscal year 2000, this program had \$9.9 million in loan principal outstanding.
- The Infrastructure Loan Program. The Board provides loans to eligible local governments for constructing the infrastructure that is required by business in their jurisdiction to create jobs. A business for which infrastructure is provided must create at least 15 full-time jobs. The minimum loan size is \$250,000. The total amount available for this program is \$50 million. At the end of fiscal year 2000, this program had \$5.1 million in loan principal outstanding.
- The Value-Added Business Loan Program. The Board participates with a lender in 75 percent of the funding, risk, collateral, and other security. Only businesses that will create at least 15 jobs are eligible for this program. A job equates to a \$22,808 annual salary (excluding benefits). Jobs paying less than minimum wage do not qualify. Additionally, the business must add value to a material or product resulting in the finished product being more valuable than the material used to make the product. The minimum loan size is \$250,000 and the maximum loan size is

Department of Commerce
Montana In-State Investment (cont.)

approximately \$6 million. The total amount available for this program is \$50 million. There was no activity for fiscal year 2000 since the program did not begin until fiscal 2001.

In addition to the programs discussed above, the Board of Investments also purchases Montana mortgages as part of the In-state Investment Program. This program is funded from pension funds. The Board serves as a secondary market to qualified financial institutions and does not lend directly to borrowers. At the end of fiscal year 2000, the board held 3,872 mortgages with total book values of \$261.7 million in 53 of Montana's 56 counties.

On June 20, 2000, the average weighted yield of all outstanding in-state investment loans was 6.0 percent, including all rate reduction granted for job creation. The number of loans in the program in arrears 90 or more days decreased from 0.98 percent of total outstanding loans at year-end 1999 to 0.26 percent of outstanding loans at year-end 2000. These arrears ratios compare to 1.70 percent and 1.80 percent, respectively, for Montana financial institutions during the period.

Department of Commerce

Certified Communities Program (Title 90, chapter 1, part 1, MCA)

The purpose of the Certified Communities Program is to establish and maintain an active network of local economic development organizations. State law requires the Department of Commerce (DOC) to issue grants on a per capita basis to local certified communities and counties. Grants may not be less than \$3,000 or more than \$75,000.

To become certified a community must submit an application form, an authorizing resolution from the local government, assemble a working group to accomplish specific certification standards, and successfully complete a "certification visit". To be eligible to receive a grant, a certified community lead organization must match each \$1 of the grant with \$1 raised from public or private sources. The grant and matching funds are used for local economic development opportunities in the area. Communities receiving funding must report results in the form of businesses assisted, jobs created, business financing received, etc.

DOC contracts with the Montana Economic Development Association (MEDA) to administer the program. MEDA makes recommendations to the department regarding which communities to certify, grant amounts, and identifies communities interested in the program. The department decides on certification based on MEDA recommendations. The department monitors the number of communities in the program and the amount of grants provided.

Inception:	1985
Board/Council:	None
Funding:	First funding of \$425,000 provided in HB 1 passed during the May 2000 Special Legislative Session. Statute requires 91 percent of this funding go to certified communities in the form of grants. The remainder is used for administrative costs for the program and to provide assistance to non-certified communities.
FTE:	0.15
Activity:	46 communities have been certified since program inception. Since the program was not funded until May 2000, funds were not available to issue grants until FY 2001.

Department of Commerce

Health Facility Authority (Title 90, chapter 7, parts 1, 2, 3, MCA)

The Montana Health Facility Authority (MHFA) was created by the 1983 Legislature to assist health care facilities in containing future health care costs. This is accomplished by issuing revenue bonds or notes to finance or refinance buildings and capital equipment at low-cost, tax-exempt interest rates. The MHFA is governed by a seven member quasi-judicial board appointed by the Governor. Only 501(c)(3) health care organizations (not-for-profit, tax-exempt) are eligible to receive funding from the MHFA. Examples of eligible facilities include hospitals, clinics, nursing homes, centers for the developmentally disabled and pre-release centers. A loan may not exceed the total cost or appraised value of the facility being financed.

Application procedures for the five loan programs available are outlined in statute and rule. Information considered includes eligibility, management and creditworthiness of the borrower, as well as the eligibility of the project and its financial feasibility.

The MHFA moved to the Board of Investments in 1989. Board of Investments staff provide administrative support and professional consultation to the MHFA. The MHFA operating costs are funded entirely by proprietary funds from revenues collected from interest, fees, and charges to participating institutions in connection with making and servicing its lease agreements, loan agreements, and other indebtedness. State law limits interest, fees, and charges to the amounts required to pay the MHFA costs. No public funds are appropriated to the MHFA. The MHFA uses two FTE to administer the five loan programs described below.

- **Pooled Loan Program.** The purpose of the Pooled Loan Program is to loan funds to eligible health care facilities for construction/reconstruction, equipment purchases, and to refinance existing debt. The program also provides single-source, low-cost financing for community provider capital improvements. Community providers are any not-for-profit, tax-exempt facilities contracting with the State of Montana to provide care and services for mental illness or developmental disabilities. Financing can continue for the life of the program, which runs through 2020. The program recycles funds by using loan principal repayments to finance new projects. Pooled loan interest rates are variable and averaged 5 percent in fiscal year 2000.

Inception: 1983

Funding: Revenue Bonds

Activity:	Since inception:	90 loans totaling	\$101,663,000
	FY 2000:	2 loans totaling	\$4,500,000

- **Stand Alone Program.** The Stand Alone Program provides a means for individual health care facilities to access the bond market. The program is only applicable to projects of \$2 million and up. Each bond issue is for a single project. Interest rates are set at the same rate as the bond issue. A trustee handles loans for this program. Cities and counties have authority to issue bonds, but the MHFA may be able to structure the bond issue at a lower cost. The MHFA approves everything concerning the project. The MHFA negotiates fees and interest on behalf of the borrower. The borrower pays interest and other associated costs.

Inception: 1983

Funding: Revenue Bonds

Department of Commerce
Health Facility Authority (cont.)

Activity: Since inception: 39 loans totaling \$708,735,000
 FY 2000: 3 loans totaling \$53,695,000

- **Master Loan Program.** The Master Loan Program provides low cost, fixed rate financing to eligible health facilities that have capital financing needs between \$1 million and \$5 million. Through this program, the Authority issues a series of bonds to meet the needs of a collective group of facilities that have investment grade credit characteristics but do not have credit ratings. The program enables the participants to share the initial financing costs and to achieve an "A" bond rating. Bond proceeds may be used to finance new construction projects, refinance outstanding bonds, acquire real property, purchase equipment, and in certain cases, reimburse the borrower for prior capital expenditures.

Inception: 1992

Funding: Revenue Bonds

Activity: Since inception: 15 loans totaling \$29,295,000
 FY 2000: 1 loan totaling \$3,440,000

- **Private Placement Program.** The Private Placement Program involves the issuance of a bond or note being sold directly to a limited number of investors to provide financing for eligible health care facilities. A private placement is generally advisable under certain circumstances as it generally reduces underwriting and bond issuance expenses by minimizing the initial cost and time involved in marketing the debt. It is usually a less costly method of financing projects under \$3,000,000. Private Placements have been placed by the Authority or by a local municipality, with the Authority providing financial consultant services to the pertinent parties.

Inception: 1985

Funding: Revenue Bonds

Activity: Since inception: 5 loans totaling \$7,326,405
 FY 2000: 1 loan totaling \$1,714,478

- **Direct Loan Program.** The Direct Loan Program provides short-term loans of \$100,000 or less to eligible facilities for construction, renovation or acquisition, equipment purchases, and the refinancing of outstanding debt. Maximum loan terms of five years or less are secured by a pledge of the equipment or real property being financed with the loan proceeds or other acceptable collateral.

Inception: 1994

Funding: Accumulated earnings on funds

Activity: Since inception: 10 loans totaling \$21,930,945
 FY 2000: 3 loans totaling \$181,127

Department of Commerce

Research and Commercialization Program (Title 90, chapter 3, part 10, MCA)

The Department of Commerce administers the Research and Commercialization Program established by the 1999 Legislature. The purpose of the program is to provide a predictable and stable source of funding (grants or loans) for research projects conducted in the state. The objective is to demonstrate that Montana recognizes the important contributions research endeavors offer to the state's basic industries. State law requires that at least 20 percent of research grants made be directed toward projects that enhance agriculture production. There is no requirement to match grant funds with other funds or in-kind services.

Grants and loans are made from the Research and Commercialization Expendable Trust Fund to qualified research centers. Qualified research centers generally refer to units within Montana's university system. However, private, nonprofit research entities can also qualify for grants and loans. Criteria for awarding grants or loans for projects include:

- There is potential to diversify or add-value to a traditional basic industry of the state's economy.
- Promise exists for enhancing technology-based sectors.
- Taking advantage of existing research and commercialization strengths of the state's public university and private research establishment.
- A realistic and achievable project design has been established.
- Innovative technology is employed or developed.
- Activity for the project is located in the state.
- A qualified research team is used to complete the research project.
- Verification that the project was awarded based on its scientific merits.
- There are research opportunities for students.

External peer review groups compiled from a list created by the Board of Research and Commercialization review applications. After reviewing the applications, the groups make recommendations to the Board as to whether the application should be approved.

Inception:	1999
Board/Council:	Board of Research and Commercialization
Funding:	Administrative expenditures are paid from the General Fund (\$150,000 per year). Funding for grants and loans: <ul style="list-style-type: none">▶ \$2.35 million for FY 2000-01 from the General Fund.▶ Beginning July 1, 2001, annual funding of \$4.85 million from interest income on the Coal Severance Tax Fund deposited in the General Fund.
FTE:	2.00
Activity:	FY 2001: 21 grants totaling \$2,128,285

Department of Commerce

Telecommunication Infrastructure Tax Credit Program (Title 15, chapter 53, part 2, MCA)

The 1999 Legislature created the Telecommunications Infrastructure Tax Credit Program. According to section 15-53-28, MCA, the legislature found that one measure of the state's economic competitiveness is the presence of an efficient and affordable telecommunications infrastructure using the latest technological advancements.

The Department of Commerce (DOC) is authorized to grant up to \$2 million in tax credits each year until the program sunsets at the end of fiscal year 2003-04. A telecommunications provider must submit a written application to DOC for tax credits. A committee reviews applications for tax credits submitted by telecommunication providers. The review committee is made up of the director and deputy director from DOC, a representative of the League of Cities and Towns, a representative of the Montana Association of Counties, and a representative of the Public Service Commission. Once the committee makes a determination of which telecommunication providers are eligible for a tax credit and the amount of the credit, DOC must notify the Department of Revenue of its decision.

Inception:	1999
Board/Council:	Telecommunication Infrastructure Tax Credit Committee
Funding:	Excise tax on telecommunications users
FTE:	0.10 (estimate)
Activity:	CY 2000: 9 tax credits totaling \$204,000
	CY 2001: 12 tax credits totaling \$1,006,476

Department of Fish, Wildlife and Parks

Shooting Range Development Grant Program (Section 87-1-276 et al, MCA)

The Conservation Education Division administers the Shooting Range Development Grant Program for the development and enhancement of safe, public shooting ranges. Any political subdivision of the state, a school district, a public or private shooting/sportsman's organization, or a government agency may apply for a grant. Applications are reviewed by department staff and ranked following specific criteria. No grant can exceed \$54,000.

Many activities associated with range development qualify for funding. Eligible projects include: backstop berms, trap and skeet throwers, access roads and parking facilities, shooting stations, range fencing, sanitary facilities, signs, power and water, and benches. Projects that improve availability of shooting ranges for public use, enhance range safety, allow for multiple shooting opportunities, support hunter/bow hunter education programs, and/or provide access to persons with disabilities are given priority. The purchase of land is eligible for assistance up to a maximum of \$25,000. Expendable supplies and luxury items such as clubhouses are not eligible for funding.

Applicants must provide matching funds in either cash or in-kind contributions. The match must represent \$1 in value for each \$1 of the grant. Existing assets and existing shooting range development may not apply to the match.

Inception:	1989		
Board/Council:	None		
FTE:	0.50 (0.20 in Helena and 0.30 in field offices)		
Funding:	General license dollars		
Activity:	Since inception:	69 grants totaling	\$685,348
	FY 2000:	9 grants totaling	\$68,120

Department of Justice

Loans to Gambling Machine Owners (Section 23-5-638, MCA)

The 1999 Legislature provided a mechanism for gambling machine owners to obtain loans to convert their gambling machines so the machines could link to an automated accounting and reporting system. The Board of Investments, under the Montana In-State Investment Act (Title 17, chapter 6, part 3, MCA), guarantees the loans made by banks. The total amount of loans may not exceed \$3.6 million. No loans have been made since the automated accounting and reporting system is not yet implemented.

Inception:	1999
Board/Council:	None
Funding:	Loans provided by banks. State of Montana guarantees the loans under the Montana In-State Investment Act.
FTE:	0
Activity:	None since automated accounting and reporting system is not yet implemented.

Department of Labor and Industry

Displaced Homemaker Grant (Title 39, chapter 7, part 3, MCA)

The Displaced Homemaker Grant program is located in the Job Service Division, Department of Labor and Industry. Funds are distributed to local program operators through a competitive request for proposals process. Selection criteria includes geographic consideration, coordination with other programs, and eligible populations. Local Displaced Homemaker Programs are designed to provide necessary counseling, training, job search services, and health care for displaced homemakers so they may achieve independence and economic security. Grantees must identify and report a 15 percent match.

Inception: 1983

Board/Council: State Job Training Coordinating Council
State Workforce Preparation Coordinating Council
State Workforce Investment Board

FTE: 0.2

Funding: Inception: Divorce Filing Fees and General Fund
1991: Unemployment Insurance Administrative Tax Fund (ESA) and General Fund

Activity:	Since inception:	158 grants totaling	\$3,100,252
	FY2000:	10 grants totaling	\$216,000

Department of Natural Resources and Conservation

Rangeland Improvement Loan Program (Title 76, chapter 14, part 1, MCA)

The Rangeland Improvement Loan Program provides low-interest loans to Montana farmers and ranchers for rangeland development and improvements. The intent is to encourage private landowners to undertake needed range conservation and improvement practices not currently implemented. Projects can include stockwater development, cross fencing, establishment of grazing systems, reseeding, mechanical renovation, sagebrush management, and weed control. To be eligible for a rangeland improvement loan the person must be a Montana resident, engaged in farming or ranching, and possess the expertise to make a rangeland loan practical. Loan limits are \$50,000, loan length is 10 years and the interest rate is 3 percent. The Department of Natural Resources and Conservation (DNRC) director sets the limits.

Loan applicants apply initially to the local conservation district where the application is reviewed along with the conservation plan. Department staff reviews the application before it is forwarded to the Rangeland Executive Committee. The department director makes the final approval.

Inception:	1979
Board/Council:	Conservation District Supervisors (7 local members from each county) Rangeland Resources Executive Committee (5 members) DNRC Loan Committee (4 members) Natural Resource Conservation Service technicians (2 technicians)
FTE:	0.25
Funding:	1979: Renewable Resource Development (RRD) Fund - \$300,000 1981: RRD Fund - \$350,000 1983: 15 percent of RRD grants through FY 1989 - \$548,910
Activity:	Since inception: 111 loans totaling \$2,057,958 FY 2000: 10 loans totaling \$232,641

Department of Natural Resources and Conservation

Private Water Development Program (Title 85, chapter 1, part 6, MCA)

The Private Water Development Program provides loans and grants to individuals, partnerships, associations, and corporations. Applications for a grant or loan are obtained from the Department of Natural Resources and Conservation (DNRC).

- **Loans.** The Private Water Development Loan Program provides low-interest loans to private entities in Montana for the development of: water-related projects, efficient use of resources, best management practices for the agricultural community, and water and wastewater projects. Loan repayment may not exceed 30 years. The interest rate must be sufficient to cover the bond debt service for the loan and maintain a loan loss reserve fund. The length of the loans is 15 years for new equipment and 10 years for used equipment. Private loan limits are \$200,000 or 80 percent of the fair market value of the security if the person is not a water user association member, and \$300,000 or 80 percent of the annual net revenue of the system pledged for payment if the person is a water user association member.
- **Grants.** The purpose of the Private Water Development Grant Program is to assist private entities meet regulatory requirements as they pertain to water use in Montana, i.e. potable water, sewer, water measuring. Grant limits are \$5,000 or less. There is no required fund or in-kind service match.

Inception:	Loans:	FY 1981; Loan Loss Reserve created 1989	
	Grants:	FY 1981	
Board/Council:	Loans:	DNRC Loan Committee (4 members) Irrigation Equipment Dealers Advisory (1 member per project) Natural Resource Conservation Service Advisory (number of members varies)	
	Grants:	Montana Rural Water (3 members) State Water Projects Bureau (3 members)	
FTE:		0.75	
Funding:	Loans:	General Obligation Bond - \$10 million original authority, raised to \$20 million in July 1999.	
	Grants:	RRD grant funds were used for funding until the 1995 Legislature approved \$100,000 per biennium of state special revenue funding for private grants.	
Activity:	<u>Loans</u>		
:	Since inception:	192 loans totaling	\$14,754,502
	FY 2000:	19 loans totaling	\$2,135,555
	<u>Grants</u>		
:	Since inception:	59 grants totaling	\$177,797
	FY 2000	6 grants totaling	\$20,070

Department of Public Health and Human Services

Resource & Referral and Day Care Improvement Program (52-2-711, MCA)

The purpose of the Resource & Referral and Day Care Improvement Program (52-2-711, MCA) is to improve the quality, health, and safety of child care in Montana. Program grants are made under an umbrella program known as the Best Beginnings Quality Child Care Initiatives. Grants and scholarships are made to child care providers, resource and referral agencies, training providers, consumer education coordinators, and planners. Applicants must complete an application or an RFP to receive a grant. This program is administered by the Early Childhood Services Bureau, Human and Community Services Division. The 1997 legislature amended the enabling legislation to include quality child care and day care.

Inception: 1989: Department of Family Services
 1995: Department of Public Health and Humans Services

Boards/Councils: Early Childhood Advisory Council (appointed by department director)

FTE: 1.5

Funding: This grant program is funded through the Child Care and Development Fund (CCDF). The CCDF consists of mandatory, matching, and discretionary funds. Discretionary funds used for this grant program are 100 percent federal funds and no state match is required.

Activity: FFY 1995 to 1999 is unavailable.
 FFY 2000 – 286 projects totaling \$4,161,857

Department of Public Health and Human Services

Domestic Violence Program (Title 52, chapter 6, part 1, MCA)

The 1979 Legislature enacted the Battered Spouses Grant Programs, Title 52, chapter 6, part 1, MCA. These statutes give the Department of Public Health and Human Services (DPHHS) the authority to allocate federal grants and state moneys to battered spouses and domestic violence programs. The 1997 Legislature enacted section 40-15-110, MCA, authorizing distributions from a state special revenue account to agencies providing direct services to victims of partner or family member assault.

Domestic violence grants are awarded by the state program to nonprofit organizations on an annual basis. The grant solicitation process begins with a request for proposal advertised in local newspapers and sent to all funded programs. Upon receipt of a grant application, a selection committee reviews the applications.

Local programs operate independently of each other, yet provide similar services. Services provided include crisis hotline, crisis counseling, shelter or safe-home accommodations, and transportation.

Inception:	1979:	Battered Spouses Grant Program	
	1997:	Partner and Family Member Assault Intervention and Treatment Fund Account	
Board/Council:	Selection committee comprised of individuals representing the Montana Board of Crime Control, the Sexual Assault Program, the Montana Coalition Against Domestic Violence and Sexual Assault, and the Domestic Violence Program manager		
Funding:	1979:	Marriage license fees	
	1986:	Federal Special Revenue	
	1997:	Dissolution of marriage fees and petitions for legal separation fees	
FTE:	0.33		
Activity:	FY 1979 to 1988:	unavailable	
	FY 1988 to 1996:	grant numbers unavailable	\$2,857,060
	FY 1997 to 2000:	94 grants totaling	\$2,343,722
	FY 2000:	24 grants totaling	\$684,000

